

Message Text

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AMEMBASSY BELGRADE

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UNCLAS ZAGREB 0125

PASS ALSO OPIC

COMMERCE FOR MPD AND OIM/BERYL COHEN

PARIS FOR TRADE CENTER/MOORHOUSE

E.O. 11652: N/A

TAGS: BEXP, EINV

SUBJECT: MAJOR PROJECTS: CROATIAN PULP PLANT

REF: ZAGREB 0339 4/26/74 (NOTAL)

1. CROATIA SEEMS LIKELY TO SOON MOVE FORWARD ON A PROJECT TO PROCESS ANNUALLY SOME 150,000 TONS OF MAINLY HARDWOODS (BEECH, OAK) INTO HIGHLY BLEACHED PULP. TWO SITES ARE CONTENDING FOR THE INVESTMENT: 1) KOPRIVNICA ON THE RIVER DRAVA AND 2) JASENOVAC ON THE RIVER SAVA. EVEN IF EXTENSIVE FOREIGN FINANCING IS FOUND, PROBABLY ONLY ONE OF THE TWO SITES WILL BE APPROVED SINCE BOTH WOULD REPORTEDLY BE DEPENDENT AT LEAST PARTIALLY UPON THE SAME RAW MATERIAL BASE.

2. INVESTORS IN THE JASENOVAC PROJECT WOULD BE A CONSORTIUM OF TIMBER PRODUCING ENTERPRISES KNOWN COLLECTIVELY AS "SAVACEL." SAVACEL HAS ALREADY SIGNED A JOINT-VENTURE CONTRACT WITH THE AMERICAN "ENGINEERS INTERNATIONAL CORPORATION" (EIC) OF PHILADELPHIA. EIC IS REPORTEDLY APPLYING FOR OPIC INSURANCE. THIS IS THE FOURTH JOINT-VENTURE CONTRACT CONCLUDED IN YUGOSLAVIA

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BY EIC WHICH IS APPARENTLY A SMALL COMPANY SPECIALIZING IN

FINANCIAL MARKETING AND ENGINEERING SERVICES WHICH SEEMS TO WORK MAINLY OUT OF OFFICES IN THE UK AND HOLLAND. SAVACEL/EIC ESTIMATE THAT THE PROJECT WILL COST ABOUT DOLS 100 MILLION OF WHICH 80 PER CENT WILL BE COVERED BY LOANS ARRANGED BY EIC BUT GUARANTEED BY CROATIAN BANKS. CONTRACT BEING SUBMITTED FOR FEDERAL REGISTRATION APPROVAL.

3. PROCUREMENT FOR IMPORTED EQUIPMENT REPORTEDLY SHOULD REACH DOLS 40 MILLION. REPORTEDLY SOME DOLS 10 MILLION MUST BE SPENT FOR TIMBER EXTRACTION EQUIPMENT, INCLUDING THAT NEEDED TO MAKE FOREST ROADS.

4. THROUGH PERSONAL CALLS, WE HAVE ALERTED SAVACEL AND EIC'S AGENT IN YUGOSLAVIA, "JUGOTURBINA-COMMERCE," TO THE PULP AND PAPER SHOW AT THE PARIS TRADE CENTER. WE HAVE ALSO ALERTED THE ENTERPRISE "BILO-KALNIK" IN KOPRIVNICA WHICH IS THE COMPETING INVESTOR AS WELL AS PULP AND PAPER TRADE ASSOCIATIONS IN CROATIA AND SLOVENIA. NATURALLY THE US EXHIBIT AT THE SPRING FAIR AT ZAGREB WILL ALSO PROVIDE AN EXCELLENT VENUE TO PURSUE THIS TRADE OPPORTUNITY, ESPECIALLY AS IT PERTAINS TO TIMBER EQUIPMENT.

5. WE HAVE ALSO LEARNED THAT ONE OF EIC'S PRINCIPAL INDIVIDUAL REPRESENTATIVES, ENG. DANKO KONCAR OF JUGOTURBINA COMMERCE, PLANS TO VISIT THE UNITED STATES IN THE LATTER PART OF MARCH AS PART OF A ROUND-THE-WORLD TRIP WHICH FIRST TAKES HIM AND SEVERAL COLLEAGUES TO JAPAN. IN ADDITION TO PULP AND PAPER, KONCAR IS INTERESTED IN DISCUSSING JOINT-VENTURES IN SUCH OTHER FIELDS AS ELECTRONICS. HIS PRESENT SCHEDULE PUTS HIM IN NEW YORK ABOUT MARCH 27 AND WE HAVE URGED HIM TO CONTACT WALKER AT USYEC. HE IS VERY INTERESTED IN KEYES FIBRE PROPOSAL DESCRIBED IN WALKER'S JANUARY 22 LETTER TO WALLER.
KAISER

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